



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ March 25, 2005 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Appanoose County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$12,053,153 for the year ended June 30, 2004, which included \$913,068 in tax credits from the state. The County forwarded \$8,801,080 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,252,073 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,234,795, operating grants, contributions and restricted interest of \$6,278,329, capital grants, contributions and restricted interest of \$646,458, unrestricted investment earnings of \$27,065 and other general revenues of \$234,030.

Expenses for County operations totaled \$7,416,409. Expenses included \$2,477,548 for roads and transportation, \$1,363,889 for public safety and legal services and \$1,138,911 for mental health.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

# # #

**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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**Appanoose County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Pontious	Board of Supervisors	Jan 2005
Larry Golic	Board of Supervisors	Jan 2005
Dean Kaster	Board of Supervisors	Jan 2007
Linda Demry	County Auditor	Jan 2005
Mary Kay Williams	County Treasurer	Jan 2007
Cheryl Piatt	County Recorder	Jan 2007
Gary Anderson	County Sheriff	Jan 2005
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	Jan 2010

**Appanoose County**



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Independent Auditor's Report

To the Officials of Appanoose County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Appanoose County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Appanoose County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

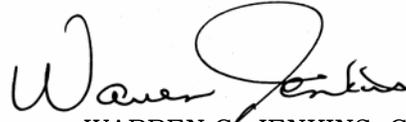
In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2005 on our consideration of Appanoose County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Appanoose County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue funds. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 20, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Appanoose County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Appanoose County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues increased \$84,278, or 1%, from fiscal 2003 to fiscal 2004.
- The County's governmental fund expenditures increased \$595,214, or 8%, from fiscal 2003 to fiscal 2004.
- The County's net assets increased 52%, or approximately \$4.3 million, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Appanoose County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Appanoose County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Appanoose County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Appanoose County's net assets for FY04 totaled approximately \$12.5 million, compared to \$8.3 million for FY03. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 11,730,048
Capital assets	4,640,780
Total assets	<u>16,370,828</u>
Long-term liabilities	245,448
Other liabilities	3,612,894
Total liabilities	<u>3,858,342</u>
Net assets:	
Invested in capital assets, net of related debt	4,518,635
Restricted	7,227,039
Unrestricted	<u>766,812</u>
Total net assets	<u>\$ 12,512,486</u>

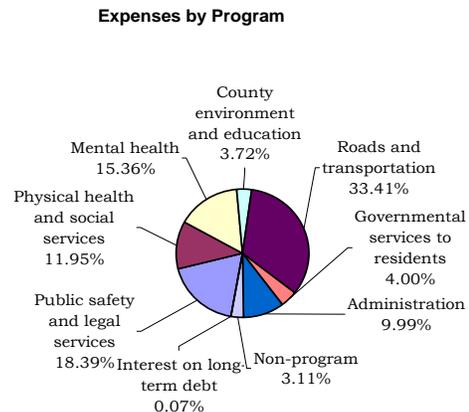
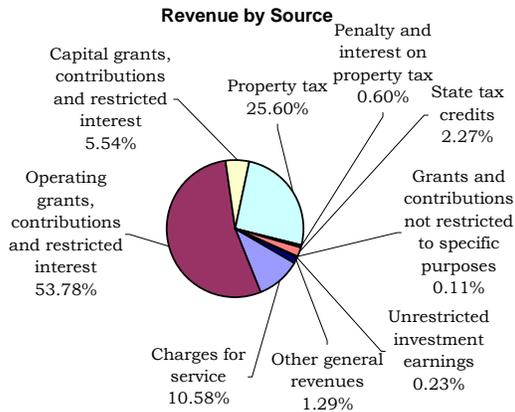
Net assets of Appanoose County's governmental activities increased by approximately \$4.3 million from FY03. The County's net assets consists of invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—were \$766,812 at June 30, 2004.

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Changes in Net Assets of Governmental Activities

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	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,234,795
Operating grants, contributions and restricted interest	6,278,329
Capital grants, contributions and restricted interest	646,458
General revenues:	
Property tax	2,987,666
Penalty and interest on property tax	70,348
State tax credits	264,407
Grants and contributions not restricted to specific purposes	13,061
Unrestricted investment earnings	27,065
Other general revenues	150,621
Total revenues	11,672,750
Program expenses:	
Public safety and legal services	1,363,889
Physical health and social services	886,615
Mental health	1,138,911
County environment and education	276,242
Roads and transportation	2,477,548
Governmental services to residents	296,574
Administration	740,586
Non-program	230,926
Interest on long-term debt	5,118
Total expenses	7,416,409
Increase in net assets	4,256,341
Net assets beginning of year, as restated	8,256,145
Net assets end of year	\$ 12,512,486



The County increased property tax rates for 2004 by an average of 1.9 percent. This increase raised the County's property and other County tax revenue by approximately \$63,000 in 2004. The total Appanoose County assessed valuation for taxes payable in FY04-05 increased by \$4,381,956. Based on this increase and an increase in property tax rates, property tax revenue is budgeted to increase by an additional \$68,000 next year.

### INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$6.4 million, an increase of approximately \$1.4 million above last year's total of \$4.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both increased. The ending fund balance increased \$151,391 from the prior year to \$1,001,615. The increase is primarily due to an increase in Medicare revenues.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.1 million, an increase of 17% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$62,000 from the prior year.
- The Rural Services Fund tax rate decreased and, with an increase in expenditures, the ending fund balance decreased by approximately \$62,000.
- Secondary Roads Fund expenditures increased by approximately \$81,875 over the prior year, due principally to increased insurance costs. Although expenditures increased, the ending fund balance also increased due to an increase in revenue from the transfer of road jurisdiction of approximately \$1.7 million.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment was made April 19, 2004 and resulted in an increase in budgeted disbursements related to increased insurance costs, election costs and zoning expenses. The second amendment was made on May 24, 2004. This amendment was made to cover increased insurance costs.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2004.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, Appanoose County had approximately \$4.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

<u>Capital Assets of Governmental Activities at Year End</u>	
	<u>June 30, 2004</u>
Land	\$ 153,500
Buildings and improvements	686,170
Equipment and vehicles	1,842,233
Infrastructure	<u>1,958,877</u>
Total	<u>\$ 4,640,780</u>
This year's major additions included:	
Capital assets contributed by the Iowa Department of Transportation	\$ 646,458
Bridge projects	251,873
Caterpillar grader	168,009
Engineer's office	<u>151,181</u>
Total	<u>\$ 1,217,521</u>

The County had depreciation expense of \$292,754 in FY04 and total accumulated depreciation of \$2,611,053 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2004, Appanoose County had approximately \$122,000 in sewer revenue notes and other debt outstanding compared to approximately \$131,000 at June 30, 2003, as shown below.

Outstanding Debt of Governmental Activities at Year-End	
	June 30, 2004
Sewer revenue notes	\$ 113,723
Bank loan	8,422
Total	<u>\$ 122,145</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Appanoose County's outstanding general obligation debt is significantly below its constitutional debt limit of \$15.9 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appanoose County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.3 percent versus 5.0 percent a year ago. This compares with the State's unemployment rate of 4.4 percent and the national rate of 5.4 percent.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$9.2 million, an increase of 4.2 percent over the final 2004 budget. Property tax (benefiting from the 2004 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Appanoose County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$373,000. Increased wage and cost-of-living adjustments and increases in Secondary Roads capital projects represent the largest increases. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Appanoose County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Appanoose County Auditor's Office, 201 N. 12th, Centerville, Iowa 52544.

**Appanoose County**

## **Basic Financial Statements**

Appanoose County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 6,230,494
Conservation Foundation	16,816
Receivables:	
Property tax:	
Delinquent	47,141
Succeeding year	3,040,000
Interest and penalty on property tax	57,925
Accounts	43,024
Accrued interest	1,700
Due from other governments	1,921,158
Inventories	270,244
Prepaid expenses	101,546
Capital assets (net of accumulated depreciation)	4,640,780
<b>Total assets</b>	<u>16,370,828</u>
<b>Liabilities</b>	
Accounts payable	379,893
Accrued interest payable	5,191
Salaries and benefits payable	92,709
Due to other governments	95,101
Deferred revenue:	
Succeeding year property tax	3,040,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	8,422
Sewer revenue notes	1,322
Compensated absences	83,219
Portion due or payable after one year:	
Sewer revenue notes	112,401
Compensated absences	40,084
<b>Total liabilities</b>	<u>3,858,342</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,518,635
Restricted for:	
Supplemental levy purposes	400,325
Mental health purposes	631,685
Secondary roads purposes	6,124,606
Other purposes	70,423
Unrestricted	766,812
<b>Total net assets</b>	<u>\$ 12,512,486</u>

See notes to financial statements.

Appanoose County  
Statement of Activities  
Year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Expenses					
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,363,889	116,741	53,674	-	(1,193,474)
Physical health and social services	886,615	462,890	367,841	-	(55,884)
Mental health	1,138,911	2,000	480,235	-	(656,676)
County environment and education	276,242	14,466	24,644	-	(237,132)
Roads and transportation	2,477,548	148,149	5,351,935	646,458	3,668,994
Governmental services to residents	296,574	239,414	-	-	(57,160)
Administration	740,586	17,461	-	-	(723,125)
Non-program	230,926	233,674	-	-	2,748
Interest on long-term debt	5,118	-	-	-	(5,118)
<b>Total</b>	<b>\$ 7,416,409</b>	<b>1,234,795</b>	<b>6,278,329</b>	<b>646,458</b>	<b>743,173</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					2,987,666
Penalty and interest on property tax					70,348
State tax credits					264,407
Grants and contributions not restricted to specific purpose					13,061
Unrestricted investment earnings					27,065
Miscellaneous					124,370
Gain on sale of capital assets					26,251
<b>Total general revenues</b>					<b>3,513,168</b>
Change in net assets					4,256,341
Net assets beginning of year, as restated					8,256,145
Net assets end of year					<b>\$ 12,512,486</b>

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 901,000	754,582	148,483	4,315,475
Conservation Foundation	-	-	-	-
Receivables:				
Property tax:				
Delinquent	33,682	9,887	3,572	-
Succeeding year	1,923,000	565,000	552,000	-
Interest and penalty on property tax	57,925	-	-	-
Accounts	42,760	-	-	264
Accrued interest	1,700	-	-	-
Due from other funds	-	-	-	-
Due from other governments	98,552	-	-	1,808,410
Inventories	-	-	-	270,244
Prepaid expenditures	101,546	-	-	-
<b>Total assets</b>	<b>\$ 3,160,165</b>	<b>1,329,469</b>	<b>704,055</b>	<b>6,394,393</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 90,015	47,902	202	182,741
Salaries and benefits payable	44,587	85	6,470	41,567
Due to other funds	410	-	-	-
Due to other governments	9,866	84,797	-	438
Deferred revenue:				
Succeeding year property tax	1,923,000	565,000	552,000	-
Other	90,672	9,673	3,551	1,653,737
Total liabilities	2,158,550	707,457	562,223	1,878,483
Fund balances:				
Reserved for:				
Supplemental levy purposes	381,267	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	620,348	-	-	-
Special revenue funds	-	622,012	141,832	4,515,910
Total fund balances	1,001,615	622,012	141,832	4,515,910
<b>Total liabilities and fund balances</b>	<b>\$ 3,160,165</b>	<b>1,329,469</b>	<b>704,055</b>	<b>6,394,393</b>

See notes to financial statements.

Nonmajor Governmental	Total
62,105	6,181,645
16,816	16,816
-	47,141
-	3,040,000
-	57,925
-	43,024
-	1,700
410	410
14,196	1,921,158
-	270,244
-	101,546
<u>93,527</u>	<u>11,681,609</u>
23,124	343,984
-	92,709
-	410
-	95,101
-	3,040,000
-	1,757,633
<u>23,124</u>	<u>5,329,837</u>
-	381,267
6,440	6,440
-	620,348
63,963	5,343,717
<u>70,403</u>	<u>6,351,772</u>
<u>93,527</u>	<u>11,681,609</u>

**Appanoose County**

Appanoose County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2004

**Total governmental fund balances (page 19)** \$ 6,351,772

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,251,833 and the accumulated depreciation is \$2,611,053. 4,640,780

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,757,633

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 12,940

Long-term liabilities, including a bank loan, sewer revenue notes, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (250,639)

**Net assets of governmental activities (page 17)** \$ 12,512,486

See notes to financial statements.

Appanoose County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,840,356	550,122	540,088	-
Interest and penalty on property tax	62,284	-	-	-
Intergovernmental	1,052,000	531,066	46,670	3,833,757
Licenses and permits	70,959	-	-	690
Charges for service	285,965	2,000	-	39
Use of money and property	26,788	-	-	-
Miscellaneous	90,408	2,000	-	15,829
Total revenues	<u>3,428,760</u>	<u>1,085,188</u>	<u>586,758</u>	<u>3,850,315</u>
Expenditures:				
Operating:				
Public safety and legal services	1,288,950	-	2,110	-
Physical health and social services	744,020	-	139,424	-
Mental health	-	1,146,711	-	-
County environment and education	142,928	-	25,063	-
Roads and transportation	-	-	-	2,664,836
Governmental services to residents	284,156	-	-	-
Administration	815,365	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	256,873
Total expenditures	<u>3,275,419</u>	<u>1,146,711</u>	<u>166,597</u>	<u>2,921,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>153,341</u>	<u>(61,523)</u>	<u>420,161</u>	<u>928,606</u>
Other financing sources (uses):				
Operating transfers in	83	-	-	482,360
Operating transfers out	(2,033)	-	(482,360)	-
Total other financing sources (uses)	<u>(1,950)</u>	<u>-</u>	<u>(482,360)</u>	<u>482,360</u>
Net change in fund balances	151,391	(61,523)	(62,199)	1,410,966
Fund balances beginning of year, as restated	<u>850,224</u>	<u>683,535</u>	<u>204,031</u>	<u>3,104,944</u>
Fund balances end of year	<u>\$ 1,001,615</u>	<u>622,012</u>	<u>141,832</u>	<u>4,515,910</u>

See notes to financial statements.

Nonmajor Governmental	Total
49,225	2,979,791
-	62,284
17,198	5,480,691
-	71,649
44,615	332,619
187	26,975
34,394	142,631
<u>145,619</u>	<u>9,096,640</u>
51,659	1,342,719
-	883,444
-	1,146,711
76,317	244,308
-	2,664,836
26,124	310,280
-	815,365
6,440	6,440
-	256,873
<u>160,540</u>	<u>7,670,976</u>
<u>(14,921)</u>	<u>1,425,664</u>
2,033	484,476
(83)	(484,476)
<u>1,950</u>	-
(12,971)	1,425,664
<u>83,374</u>	<u>4,926,108</u>
<u>70,403</u>	<u>6,351,772</u>

Appanoose County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 23)** \$ 1,425,664

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 762,372	
Capital assets contributed by the Iowa Department of Transportation	646,458	
Depreciation expense	(292,754)	1,116,076

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 26,251

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	15,939	
Other	1,653,737	1,669,676

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 9,270

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	486	
Interest on long-term debt	125	611

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 8,793

**Change in net assets of governmental activities (page 17)** \$ 4,256,341

See notes to financial statements.

Appanoose County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2004

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 48,849
<b>Liabilities</b>	
Accounts payable	<u>35,909</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 12,940</u></u>

See notes to financial statements.

**Exhibit H**

Appanoose County  
Statement of Revenues, Expenses and Changes  
in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 522,907
Reimbursements from employees		113,216
Refunds		<u>107,202</u>
Total operating revenues		743,325
Operating expenses:		
Medical and health services	\$ 602,607	
Accounting, auditing and clerical	14,493	
Supplemental insurance	107,254	
Miscellaneous	<u>10,228</u>	<u>734,582</u>
Operating income		8,743
Non-operating revenues:		
Interest income		<u>50</u>
Net income		8,793
Net assets beginning of year		<u>4,147</u>
Net assets end of year		<u><u>\$ 12,940</u></u>

See notes to financial statements.

Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2004

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 522,907
Cash received from employees and others	113,216
Cash received from refunds	107,202
Cash paid to suppliers for services	(735,889)
Net cash provided by operating activities	7,436
Cash flows from investing activities:	
Interest on investments	50
Net increase in cash and cash equivalents	7,486
Cash and cash equivalents beginning of year	41,363
Cash and cash equivalents end of year	\$ 48,849
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 8,743
Adjustment to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(1,307)
Net cash provided by operating activities	\$ 7,436

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 682,128
Other County officials	49,623
Receivables:	
Property tax:	
Delinquent	183,896
Succeeding year	7,501,000
Accounts	30,888
Special assessments	100,015
Due from other governments	15,629
<b>Total assets</b>	<u>8,563,179</u>

**Liabilities**

Accounts payable	22,164
Salaries and benefits payable	4,756
Due to other governments	8,466,546
Trusts payable	69,713
<b>Total liabilities</b>	<u>8,563,179</u>

**Net assets** \$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

Appanoose County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Appanoose County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Appanoose County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – The Conservation Foundation is legally separate from the County, but it is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the Special Revenue Funds.

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items which are not included in the County's budget. Financial information of the Foundation can be obtained from the Appanoose County Conservation Office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Appanoose County Assessor’s Conference Board and Appanoose County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Area XV Regional Planning Commission, Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Environmental Public Health, ADLM Emergency Management and South Iowa Area Crime Commission Service Agency.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs

of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement, but not prior to retirement age of 62. Such payment shall not exceed 90 days or a total dollar amount of \$2,000. A liability is recorded when incurred in the government-wide, proprietary

fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase the appropriation to one department, the amendment was made after the disbursements had exceeded the appropriation.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) and an IPAIT certificate of deposit which are valued at an amortized cost of \$3,210,162 and \$1,653,736, respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Prisoner Room and Board	General	<u>\$ 410</u>

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 482,360
Prisoner Room and Board	General	2,033
General	Special Revenue: Conservation Land Acquisition	83
Total		<u>\$ 484,476</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 153,500	-	-	153,500
Construction in progress	379,251	-	(379,251)	-
Total capital assets not being depreciated	532,751	-	(379,251)	153,500
Capital assets being depreciated:				
Buildings	728,826	204,214	-	933,040
Equipment and vehicles	3,884,426	327,536	(129,916)	4,082,046
Infrastructure, other	800,665	-	-	800,665
Infrastructure, road network	-	1,282,582	-	1,282,582
Total capital assets being depreciated	5,413,917	1,814,332	(129,916)	7,098,333
Less accumulated depreciation for:				
Buildings	229,650	17,220	-	246,870
Equipment and vehicles	2,138,500	231,229	(129,916)	2,239,813
Infrastructure, other	80,065	20,017	-	100,082
Infrastructure, road network	-	24,288	-	24,288
Total accumulated depreciation	2,448,215	292,754	(129,916)	2,611,053
Total capital assets being depreciated, net	2,965,702	1,521,578	-	4,487,280
Governmental activities capital assets, net	\$ 3,498,453	1,521,578	(379,251)	4,640,780

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 34,839
Mental health	1,950
County environment and education	31,642
Roads and transportation	205,146
Governmental services to residents	3,286
Administration	15,891
Total depreciation expense - governmental activities	\$ 292,754

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 9,866
Special Revenue:		
Mental Health	Services	84,797
Secondary Roads	Services	438
		<u>85,235</u>
Total for governmental funds		<u>\$ 95,101</u>
Agency:		
County Offices	Collections	\$ 499
Agricultural Extension Education		83,875
County Assessor		224,586
Schools		4,843,412
Community Colleges		228,049
Corporations		2,338,129
Townships		145,493
Auto License and Use Tax		212,298
All other		390,205
Total for agency funds		<u>\$ 8,466,546</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Bank Loan	Sewer Revenue Notes	Compen- sated Absences	Total
Balance beginning of year, as restated	\$ 16,426	114,989	123,789	255,204
Increases	-	-	161,030	161,030
Decreases	8,004	1,266	161,516	170,786
Balance end of year	<u>\$ 8,422</u>	<u>113,723</u>	<u>123,303</u>	<u>245,448</u>
Due within one year	<u>\$ 8,422</u>	<u>1,322</u>	<u>83,219</u>	<u>92,963</u>

The July 1, 2003 long-term liabilities balance has been restated as follows:

Balance June 30, 2003, as previously reported	\$ 290,495
South Iowa Area Detention Service Agency (SIADSA) capital loan notes were removed from long-term debt and reclassified as a contingent liability since the note principal and interest are paid by the SIADSA (see note 13).	(68,000)
Compensated absences were increased due to the implementation of Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements</u> .	<u>32,709</u>
Balance July 1, 2003, as restated	<u>\$ 255,204</u>

### Bank Loan

On May 8, 2002, the County entered into a loan agreement to purchase a sheriff's vehicle for \$24,031. The loan is to be repaid in three annual payments of \$8,867, including interest at 5.25 percent per annum. The unpaid principal balance on the loan at June 30, 2004 is \$8,422.

### Sewer Revenue Notes

On January 13, 2000, the County entered into a loan agreement with the United States Department of Agriculture providing for the issuance of \$116,200 of sewer revenue notes. The note proceeds were used for the purpose of defraying a portion of the cost of constructing sanitary sewer mains to private septic systems maintained outside the City of Centerville and to connect these mains to the City's wastewater treatment facilities.

Pursuant to an agreement between the County and the City of Centerville, the County shall have ownership of the sanitary sewer mains. However, the constructed mains are considered part of the City's sanitary sewer system for purposes of operation and maintenance and the City has agreed to establish and maintain user fees for the consumers whose residences and businesses are served by the new sanitary mains. At the time all payments have been made on the sewer revenue notes, the County will transfer ownership of the sanitary sewer mains to the City.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes are payable solely from the net revenues of the project area and shall not be a general obligation of the County, nor payable in any manner by taxation.
- (b) The City shall establish and provide for the collection of rates to be charged to consumers in the project area to produce gross revenues sufficient to pay the expenses and operation of the new sanitary sewer mains, including the principal of and interest on the outstanding sewer revenue notes.
- (c) Sufficient monthly transfers from the City to the County shall be made to a separate sewer revenue sinking account for the purpose of making note principal and interest payments when due.
- (d) Additional monthly transfers from the City to the County shall be made to a separate sewer revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.

With USDA approval, the County has established sewer debt service sinking and reserve accounts within the Debt Service Fund to demonstrate compliance with provisions (c) and (d) above.

Annual debt service requirements to maturity for the sewer revenue notes are as follows:

Year ending June 30,	\$110,000 Sewer Revenue Notes			\$6,200 Sewer Revenue Notes			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	4.50%	\$ 1,251	4,845	4.50%	\$ 71	273	\$ 1,322	5,118	6,440
2006	4.50	1,308	4,788	4.50	74	270	1,382	5,058	6,440
2007	4.50	1,367	4,729	4.50	78	266	1,445	4,995	6,440
2008	4.50	1,428	4,668	4.50	81	263	1,509	4,931	6,440
2009	4.50	1,492	4,604	4.50	85	259	1,577	4,863	6,440
2010-2040	4.50	100,810	87,993	4.50	5,678	4,940	106,488	92,933	199,421
Total		\$ 107,656	111,627		\$ 6,067	6,271	\$ 113,723	117,898	231,621

**(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$147,384, \$144,709 \$135,862, respectively, equal to the required contributions for each year.

**(9) Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

The Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$522,907.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$35,909, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$12,940 at June 30, 2004 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2003	\$ 37,216
Incurred claims (including claims incurred but not reported at June 30, 2004)	602,607
Payment on claims during the fiscal year	<u>(603,914)</u>
Unpaid claims at June 30, 2004	<u>\$ 35,909</u>

**(11) Jointly Governed Organization**

Appanoose County participates in Appanoose, Davis, Lucas and Monroe (ADLM) Environmental Public Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2004:

Additions:		
Contributios from governmental units	\$	78,073
State grants		54,821
Licenses and permits		71,410
Total additions		<u>204,304</u>
Deductions:		
Salaries and benefits		143,942
Office supplies		11,970
Travel		13,814
Telephone		4,068
Training		1,158
Well tesging		1,500
Well abandonment		18,521
Lead abatement		2,509
On-site sewer system		2,470
Radon testing		2,194
Miscellaneous		2,158
		<u>204,304</u>
Net		-
Balance beginning of year		<u>-</u>
Balance end of year	\$	<u><u>-</u></u>

**(12) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

In addition, the Capital Projects Fund reported in previous years was eliminated at July 1, 2003. The fund included \$15,000 held by the South Iowa Area Detention Service Agency (SIADSA) for the County. However, SIADSA will not be refunding the \$15,000 to the County since it has been or will be used for paying the indebtedness. Also, Conservation Land Acquisition was reclassified from an Expendable Trust Fund to a Special Revenue Fund and the Secondary Roads beginning inventory was restated.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 4,790,855
Elimination of Capital Projects Fund	(15,000)
Inventory not previously reported	117,544
GASB Interpretation 6 adjustments	<u>32,709</u>
Net assets July 1, 2003, as restated for governmental funds	4,926,108
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,448,215	3,498,453
Internal Service Fund	4,147
Long-term liabilities	(260,520)
Deferral of long-term assets	<u>87,957</u>
Net assets July 1, 2003, as restated	<u>\$ 8,256,145</u>

**(13) Contingent Liability – South Iowa Area Detention Service Agency**

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. On May 1, 1991, SIADSA issued \$2,300,000 in capital loan note certificates for construction of the detention center facilities and purchase of equipment. Each member county authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. Each member county consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledged the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year.

Although Appanoose County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable in the event SIADSA cannot satisfy its debt obligation.

**Appanoose County**

**Required Supplementary Information**

Appanoose County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 2,979,595	-	2,979,595
Interest and penalty on property tax	62,854	-	62,854
Intergovernmental	5,623,972	-	5,623,972
Licenses and permits	72,400	-	72,400
Charges for service	332,678	-	332,678
Use of money and property	26,392	29	26,363
Miscellaneous	152,404	34,394	118,010
Total receipts	<u>9,250,295</u>	<u>34,423</u>	<u>9,215,872</u>
<b>Disbursements:</b>			
Public safety and legal services	1,331,277	-	1,331,277
Physical health and social services	862,810	-	862,810
Mental health	1,102,673	-	1,102,673
County environment and education	242,464	66,689	175,775
Roads and transportation	2,795,095	-	2,795,095
Governmental services to residents	280,465	-	280,465
Administration	781,886	-	781,886
Debt service	6,440	-	6,440
Capital projects	366,634	-	366,634
Total disbursements	<u>7,769,744</u>	<u>66,689</u>	<u>7,703,055</u>
Excess (deficiency) of receipts over (under) disbursements	1,480,551	(32,266)	1,512,817
Balance beginning of year, as restated	<u>4,717,910</u>	<u>49,082</u>	<u>4,668,828</u>
Balance end of year	<u>\$ 6,198,461</u>	<u>16,816</u>	<u>6,181,645</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
3,048,859	3,048,859	(69,264)
23,100	23,100	39,754
3,935,362	4,069,898	1,554,074
63,600	63,600	8,800
245,901	245,901	86,777
82,530	82,530	(56,167)
97,405	97,405	20,605
<u>7,496,757</u>	<u>7,631,293</u>	<u>1,584,579</u>
1,484,495	1,484,495	153,218
926,911	941,361	78,551
1,391,855	1,391,855	289,182
187,335	198,593	22,818
2,849,000	3,002,500	207,405
275,707	325,307	44,842
643,726	783,726	1,840
33,440	33,440	27,000
635,000	635,000	268,366
<u>8,427,469</u>	<u>8,796,277</u>	<u>1,093,222</u>
(930,712)	(1,164,984)	2,677,801
<u>2,450,982</u>	<u>2,450,982</u>	<u>2,217,846</u>
<u>1,520,270</u>	<u>1,285,998</u>	<u>4,895,647</u>

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Appanoose County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,250,295	(153,655)	9,096,640
Expenditures	7,769,744	(98,768)	7,670,976
Net	1,480,551	(54,887)	1,425,664
Beginning fund balances, as restated	4,717,910	208,198	4,926,108
Ending fund balances	\$ 6,198,461	153,311	6,351,772

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$368,808. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase the appropriation to one department, the amendment change was made after disbursements had exceeded the appropriation.

**Appanoose County**

**Other Supplementary Information**

Appanoose County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 4,858	23,987	12,171
Conservation Foundation	-	-	-
Due from other funds	-	-	-
Due from other governments	-	14,196	-
<b>Total assets</b>	<b>\$ 4,858</b>	<b>38,183</b>	<b>12,171</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 3,412	19,712	-
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	1,446	18,471	12,171
Total fund equity	1,446	18,471	12,171
<b>Total liabilities and fund equity</b>	<b>\$ 4,858</b>	<b>38,183</b>	<b>12,171</b>

See accompanying independent auditor's report.

Revenue					
Law Enforcement Forfeiture	Conservation Foundation	Prisoner Room and Board	Debt Service		Total
5,784	-	8,865	6,440		62,105
-	16,816	-	-		16,816
-	-	410	-		410
-	-	-	-		14,196
5,784	16,816	9,275	6,440		93,527
-	-	-	-		23,124
-	-	-	6,440		6,440
5,784	16,816	9,275	-		63,963
5,784	16,816	9,275	6,440		70,403
5,784	16,816	9,275	6,440		93,527

Appanoose County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue		
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	10,758
Charges for service	2,975	38,180	-
Use of money and property	62	3	76
Miscellaneous	-	-	-
Total revenues	3,037	38,183	10,834
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	9,628
Governmental services to residents	6,412	19,712	-
Debt service	-	-	-
Total expenditures	6,412	19,712	9,628
Excess (deficiency) of revenues over (under) expenditures	(3,375)	18,471	1,206
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,375)	18,471	1,206
Fund balances beginning of year	4,821	-	10,965
Fund balances end of year	\$ 1,446	18,471	12,171

See accompanying independent auditor's report.

Law Enforcement Forfeiture	Conservation Foundation	Prisoner Room and Board	Emergency Medical Services	Conservation Land Acquisition	Debt Service	Total
-	-	-	49,225	-	-	49,225
-	-	-	-	-	6,440	17,198
2,610	-	850	-	-	-	44,615
17	29	-	-	-	-	187
-	34,394	-	-	-	-	34,394
2,627	34,423	850	49,225	-	6,440	145,619
1,584	-	850	49,225	-	-	51,659
-	66,689	-	-	-	-	76,317
-	-	-	-	-	-	26,124
-	-	-	-	-	6,440	6,440
1,584	66,689	850	49,225	-	6,440	160,540
1,043	(32,266)	-	-	-	-	(14,921)
-	-	2,033	-	-	-	2,033
-	-	-	-	(83)	-	(83)
-	-	2,033	-	(83)	-	1,950
1,043	(32,266)	2,033	-	(83)	-	(12,971)
4,741	49,082	7,242	-	83	6,440	83,374
5,784	16,816	9,275	-	-	6,440	70,403

Appanoose County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,451	42,420	81,676	4,070
Other county officials	49,623	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,424	3,212	84,736	3,979
Succeeding year	-	81,000	183,000	4,677,000	220,000
Accounts	-	-	204	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 49,623</b>	<b>83,875</b>	<b>228,836</b>	<b>4,843,412</b>	<b>228,049</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	390	-	-
Salaries and benefits payable	-	-	3,860	-	-
Due to other governments	499	83,875	224,586	4,843,412	228,049
Trusts payable	49,124	-	-	-	-
<b>Total liabilities</b>	<b>\$ 49,623</b>	<b>83,875</b>	<b>228,836</b>	<b>4,843,412</b>	<b>228,049</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
48,423	5,674	212,298	20,589	119,589	145,938	682,128
-	-	-	-	-	-	49,623
89,706	819	-	-	-	20	183,896
2,200,000	139,000	-	-	-	1,000	7,501,000
-	-	-	-	4,241	26,443	30,888
-	-	-	-	-	100,015	100,015
-	-	-	-	15,629	-	15,629
<b>2,338,129</b>	<b>145,493</b>	<b>212,298</b>	<b>20,589</b>	<b>139,459</b>	<b>273,416</b>	<b>8,563,179</b>
-	-	-	-	17,576	4,198	22,164
-	-	-	-	-	896	4,756
2,338,129	145,493	212,298	-	121,883	268,322	8,466,546
-	-	-	20,589	-	-	69,713
<b>2,338,129</b>	<b>145,493</b>	<b>212,298</b>	<b>20,589</b>	<b>139,459</b>	<b>273,416</b>	<b>8,563,179</b>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 57,044	79,497	182,697	4,483,231	220,737
Additions:					
Property and other county tax	-	87,475	195,073	5,075,010	239,819
E911 surcharge	-	-	-	-	-
State tax credits	-	7,497	11,809	427,619	20,845
Drivers license fees	-	-	-	-	-
Office fees and collections	223,446	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	97,954	-	-	-	-
Miscellaneous	-	77	59,147	12,177	213
Total additions	321,400	95,049	266,029	5,514,806	260,877
Deductions:					
Agency remittances:					
To other funds	136,655	-	-	-	-
To other governments	100,827	90,671	219,890	5,154,625	253,565
Trusts paid out	91,339	-	-	-	-
Total deductions	328,821	90,671	219,890	5,154,625	253,565
Balances end of year	\$ 49,623	83,875	228,836	4,843,412	228,049

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
1,886,122	127,677	200,151	32,767	72,631	273,905	7,616,459
2,406,460	147,443	-	-	-	1,139	8,152,419
-	-	-	-	-	79,104	79,104
168,843	11,431	-	-	-	617	648,661
-	-	96,844	-	-	-	96,844
-	-	-	-	-	-	223,446
-	-	-	-	-	14,860	14,860
-	-	2,527,107	-	-	-	2,527,107
-	-	-	-	-	24,876	24,876
-	-	-	247,615	-	-	345,569
4,232	-	-	-	444,797	303,116	823,759
2,579,535	158,874	2,623,951	247,615	444,797	423,712	12,936,645
-	-	105,452	-	-	-	242,107
2,127,528	141,058	2,506,352	-	377,969	424,201	11,396,686
-	-	-	259,793	-	-	351,132
2,127,528	141,058	2,611,804	259,793	377,969	424,201	11,989,925
2,338,129	145,493	212,298	20,589	139,459	273,416	8,563,179

**Schedule 5**

## Appanoose County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 2,979,791	2,917,055	2,605,058	2,555,088
Interest and penalty on property tax	62,284	56,392	54,162	52,042
Intergovernmental	5,480,691	5,590,715	3,588,068	3,867,205
Licenses and permits	71,649	2,946	67,019	52,820
Charges for service	332,619	312,847	256,193	254,022
Use of money and property	26,975	37,884	72,694	147,586
Fines, forfeitures and defaults	-	-	14,356	5,522
Miscellaneous	142,631	94,523	84,270	100,065
Total	\$ 9,096,640	9,012,362	6,741,820	7,034,350
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,342,719	1,427,258	1,337,345	1,300,341
Physical health and social services	883,444	584,009	811,548	819,286
Mental health	1,146,711	978,318	1,181,582	1,239,208
County environment and education	244,308	237,012	348,224	233,879
Roads and transportation	2,664,836	2,458,484	2,263,656	1,968,983
Governmental services to residents	310,280	262,480	250,279	231,834
Administration	815,365	740,411	580,887	561,422
Debt service	6,440	6,440	5,229	2,421
Capital projects	256,873	381,350	1,015	-
Total	\$ 7,670,976	7,075,762	6,779,765	6,357,374

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Appanoose County:

We have audited the financial statements of Appanoose County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item (10).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Appanoose County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Appanoose County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

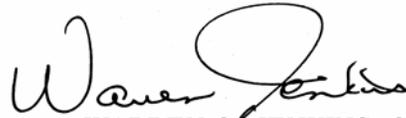
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B) and (C).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Appanoose County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 20, 2005

Appanoose County  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Collection, deposit preparation and reconciliation functions.	Auditor, Recorder
(2) Bank account reconciliations.	Auditor
(3) Warrant/check signing.	Auditor, Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Auditor – We continue to work on this every year.

Recorder – In response to segregation of duties, it is very hard when there are only two people in your office. When documents come in, one takes them in and the other one enters them into the computer and checks the money or if it is charges. On writing checks, one writes the check and the other one signs. The only check that we would write and sign would be a check for a passport. Which the money comes in and goes right back out. We are complying the best we can.

Conclusion:

Auditor – Response accepted.

Recorder – Response acknowledged. With only two employees, we realize segregation of duties is difficult. However, control procedures should be reviewed to obtain the maximum internal control possible under the circumstances, which could include obtaining the assistance of another office to provide an independent review of financial transactions, reconciliations and reports.

Appanoose County

Schedule of Findings

Year ended June 30, 2004

(B) County Sheriff – The June 30, 2004 trust balance did not agree with the detailed listing of trusts on hand. This matter was resolved for audit purposes.

Recommendation – The month end trust balance should be reconciled with the detailed listing of trusts on hand each month.

Response – Appropriate measures have been implemented to reconcile month end trust balance to detailed listing of truths on hand each month.

Conclusion – Response acknowledged.

(C) Information Systems – The following weaknesses in the County’s computer based systems were noted:

- The County does not have a written policy for usage of the internet.
- The County does not have a written disaster recovery plan.

Recommendation – The County should develop a written policy for usage of the internet and a written disaster recovery plan in order to improve the County’s control over computer based systems.

Response – We are currently working on these items.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2004

**Other Findings Related to Required Statutory Reporting:**

(1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

(2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

Although the Board of Supervisors acted to increase the appropriation to one department, the amendment change was made after the disbursements had exceeded the appropriation.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will monitor this more closely.

Conclusion – Response accepted.

(3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

(5) Business Transactions – No business transactions between the County and County officials or employees were noted.

(6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

(7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

(8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

(9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Appanoose County

Schedule of Findings

Year ended June 30, 2004

- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record as required.

Response – We will address this each month by including a note with the minute book reminding the officers to sign the minutes.

Conclusion – Response accepted.

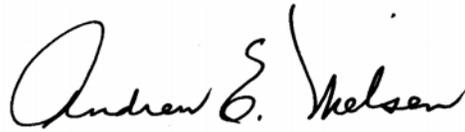
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Appanoose County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Katherine L. Rupp, CPA, Senior Auditor II  
Tammy A. Wolterman Staff Auditor  
Natalie J. Storm, CPA, Staff Auditor  
Sarah M. Wright, Staff Auditor  
Karen L. Kibbe, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State